

Hog Prices: ↓ Soymeal: ↑  
Corn: ↓ CDN Dollar: ↓

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, June 20, 2018

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**Forward contract prices opened lower this morning.** US cash markets made modest gains in yesterday's trade, adding \$0.30- \$0.50 USD/cwt across most reporting regions. Packers have a closing window of opportunity to meet the pork demand associated with July 4<sup>th</sup> celebrations and subsequently want to maximize their production, even while constrained by the currently poor operating margins. Forward contract prices are likely seeing increased influence from concerns over US trade policy, with the US currently earmarking \$50 billion in tariffs on Chinese products and targeting an additional 10% on another \$200 billion. Lean hog futures have declined about \$3.00 USD/cwt from the recent highs that were put in one week ago, but the nearly 2 cent drop in the Canadian Dollar has helped to cushion the effect on forward prices. Producers who have not yet taken any price protection for the 4<sup>th</sup> Quarter should consider securing some of their production as current prices represent 'fair value' given the expectation of record production and the possible disruptions to normal trade flows.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures traded to intraday lows not seen in ten years on news that the Trump administration is attempting to identify another \$200 billion in Chinese products for higher tariffs. The market has since stabilized but is still trading amid new lower levels and a fair degree of uncertainty. Is this good news for other bean competitors? Possibly. But Brazil is still reeling from a logistics log jam due to the recent truckers' strike and thoughts the government will impose new transportation rates is keeping buyers and shippers on the sidelines. As well, the Brazilian ag minister has suggested a stronger demand for beans from China will raise feed costs for their very large livestock sector that also has a strong export business (i.e. a potential net-negative for Brazilian ag).

**US corn futures opened lower this morning.** It's not the sell-off the market saw yesterday, but US corn futures are still trading lower after yesterday's double-digit losses. Commentators are suggesting the bottom is near but there is talk the funds have not yet completely finished repositioning as they flip from a net long to a net short strategy. Yesterday, US corn futures fell to six-month lows and the nearby is now trading at \$3.32 USD/bu., a value almost unthinkable just two months ago. US trade policy, increasing acreage, expectations of decent yields due to cooperative weather (for the most part), and managed money flows are all pressuring.

US Slaughter	
448,000	Tuesday
434,000	Year Ago
Daily Prices	
W. Corn Belt	\$83.35
National	\$83.83
Iowa/S. MN.	\$83.37
ML Signature 5	\$200.18
HyLife (prev. day)	\$194.86
TCP/BP2	\$200.18
<b>BoC Rate (Noon) prev. day</b>	
\$1.3276 CAD / \$0.7532 USD	
Cash Prices Week Ending June 16, 2018	
Signature 3	190.96/86.62
Signature 4	179.13/81.25
Signature 5 Brandon	185.04/83.93
h@ms Cash	183.54/83.25
HyLife	180.21/81.74
TCP/BP2 Moose Jaw/Langley	169.53/76.90
2018 Top-Up Estimate	
\$3.77/ckg (call for details)	
ISO Weans	\$17.68 US Avg.
Feeder Pigs	\$42.16 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		181.15 181.98	168.93 174.92	143.36 157.50	140.62 143.25	126.71 139.50	125.88 129.63	129.40 141.22	141.82 143.97	144.57 146.83	147.98 158.52
Soymeal Wpg/S. Man Delivered	488	488	493	495	496	497	497				

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